

CITY OF HUNTINGTON WOODS,
MICHIGAN
63-2080
FINANCIAL STATEMENTS

JUNE 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Huntington Woods, Michigan		County Oakland
Audit Date June 30, 2004	Opinion Date October 26, 2004	Date Accountant Report Submitted to State: January 6, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

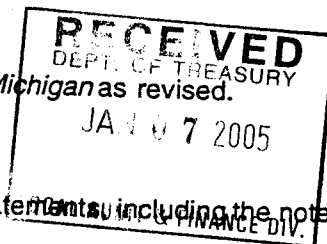
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASL GU).			X

Certified Public Accountant (Firm Name) Doeren Mayhew			
Street Address 755 W. Big Beaver Rd., Ste. 2300		City Troy	State MI
Accountant Signature Todd R. Fox		ZIP 48084	



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Commission
of the City of Huntington Woods, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2004, and for the year then ended which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Huntington Woods, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Huntington Woods, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004 on our consideration of the City of Huntington Woods, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DOEREN MAYHEW

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 19 through 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Huntington Woods, Michigan's basic financial statements. The combining and individual non-major fund financial statements listed as supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Huntington Woods, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

Doeren Mayhew

DOEREN MAYHEW

October 26, 2004
Troy, Michigan

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Huntington Woods, Michigan's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the City's financial statements.

1. 2004 Government-Wide Financial Statements

The purpose of this financial report is to report on the financial position of the City of Huntington Woods, Michigan utilizing the new financial model as established by the Governmental Accounting Standards Board (GASB) pronouncement No. 34. This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information on the operation of the City as a whole and present a longer-term view of the City's finances. That is, these are not established via fund level reporting, but rather as activities viewed in the context of the entire City operation. The Statement of Net Assets and the Statement of Activities are presented to distinguish between governmental and business-type activities of the City. Governmental activities are those of which are financed primarily through tax levies, intergovernmental and other non-exchange revenues. Business-type activities are financed by fees charged for providing a service and are reported in the City's Enterprise Fund. The remaining statements including Governmental Funds and Proprietary Funds focus on how the City services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the City of Huntington Woods, Michigan's operations in more detail than the government-wide financial statements. The financial statements include notes that explain and provide more detailed data about some of the information found in the financial statements.

Capital assets are reported in the government-wide statements at a historical cost. Capital assets include land, improvements, buildings, building improvements, vehicles, machinery, equipment, library holdings, infrastructure and other primary tangible assets that are used in the operation and have useful lives beyond that of a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. Capital assets with the exception of land are depreciated and reported net of accumulated depreciation in the Statement of Net Assets. All tangible assets are depreciated over the useful lives of the assets as has been established by historical values and rates utilized prior to the implementation of the new accounting model. All major infrastructure assets such as roads, sidewalks and other right-of-way (ROW) as owned by the City are recorded on a cost basis at the date of construction. Estimates are provided for all ROW prior to 1980. Actual values (where available) have been utilized for construction and other (ROW) after 1980. The model proposes a declining scale perpetual inventory method (PIM) as established by the California Department of Transportation. This method accounts for annual capital expenditures and assumes that existing capital assets depreciate in value at a standard rate every year. The formula is therefore applied as a constant on a year-to-year basis beginning in year 2002.

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Presentation of Funds

In addition to the above, the reporting concepts of GASB call for Governmental Funds to be individually reported where assets are greater than 10% of the total governmental assets and its expenses are greater than 5% of total governmental and enterprise expenses combined. This means that in any one year a fund may be shown as a major governmental fund or removed and placed into a grouping of the remaining non-major governmental funds. This has been the case this fiscal year. The Capital Projects Road Construction Fund #491 was included last year, as expenses in this fund reached the threshold to be included as a major fund. This year, the Road Construction Fund did not meet the asset test and, therefore, is not reported as a major fund. This calculation is not applicable to debt funds.

For the year ended June 30, 2004, the presentation of funds is as follows:

MAJOR GOVERNMENTAL FUNDS:

- General Fund
- Sanitation Fund
- Recreation Fund

NONMAJOR (SPECIAL REVENUE) GOVERNMENTAL FUNDS:

- Major Street Fund
- Local Street Fund
- Capital Planning Fund
- Capital Projects Fund (Road Construction)

NONMAJOR (DEBT SERVICE) GOVERNMENTAL FUNDS:

- Recreation Debt Service Fund
- Street Debt Service Fund
- GWK Drain Debt Fund

PROPRIETARY FUNDS:

- Water and Sewer Fund (Enterprise Fund)
- Equipment Fund (Internal Service Fund)

CITY OF HUNTINGTON WOODS, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Presentation of Funds - Continued

The City of Huntington Woods, Michigan has two types of funds:

Governmental Funds - These statements represent a compilation of the City's basic services and are designed to focus on how cash and other financial assets that can readily be converted to cash, flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental fund statements focus on a short-term view rather than the long-term focus of the government-wide statements, so additional information is provided after the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

Proprietary Funds - Proprietary Funds are used to report services where the City charges customers a fee for services rendered. Proprietary Funds provide both long and short-term financial information. The two types of Proprietary Funds are Enterprise and Internal Service Funds.

Enterprise Funds and business-type activities are the same, but the fund statements provide more detail and additional information such as cash flows.

Internal Service Funds are used to report activities that provide supplies and services for the City's other programs.

All accounts of the City are organized on a basis of funds and sub-activities all of which are considered a separate accounting entity. The operations of these funds are accounted for with a separate set of self-balancing trial balances that clearly delineate assets, liabilities, fund equity, revenues and expenditures where required. All governmental resources are accounted for and shown in account titles based upon the purposes to which they will be spent.

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

3. Budgetary Basis of Recording: Major Governmental Funds

GASB requires that all major governmental funds be presented on a budgetary basis showing the actual cost, the estimated cost of operations and the variances.

The General Fund budget as established and amended by the City Commission showed that there was only a \$35,596 difference between the budget revenue and expense appropriations and the actual final audited results of operations. Last year the City completed the year with a budget variance of \$5,243. The budget variance for both years is small, however the change this year is in a positive direction. The margin between the amount budgeted and the actual expenses needs to be reviewed carefully and adjusted as the final difference is low. Clearly, any unforeseen expenditure will pull this variance into negative territory therefore it is necessary for the City to maintain a higher margin where feasible. The results of operations show a loss to the General Fund of (\$251,674) as a result of reduction in revenue from numerous sources. This shortfall was entirely made up through appropriations from the General Fund unappropriated fund balance. It is important to recognize that the size of the discrepancy between the budget figure and the actual performance figure is precisely what the GASB budgetary cash flow analysis is intended to highlight. In total all of our major governmental funds resulted in positive budget variances, with the exception of the Capital Project Fund which operated as a non-budgeted construction fund for the purpose of completing the street infrastructure program. The administration believes that this Capital Project Fund needs to be reviewed carefully and adjusted as soon as information becomes available that would make major changes in the operation of the fund.

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

4. Financial Position Statement

The City of Huntington Woods has seen the deterioration of fund equity in the General Fund occur for a period of three years beginning in 2001. The following chart represents the change in fund balance (both appropriated and unappropriated) for a period of 5 years:

<u>Year</u>	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>	<u>Net Change</u>
1999	\$ 1,248,922	\$ 1,341,121	\$ 92,199
2000	1,341,121	1,404,563	63,442
2001	1,404,563	1,409,982	5,419
2002	1,409,982	1,282,282	(127,700)
2003	1,282,282	1,041,146	(241,136)
2004	1,041,146	789,472	(251,674)

This large change has been brought about by numerous factors including, reduction in revenue sharing, major increases in employee benefits, and major changes in interest earnings. The most significant concern we have is the reduction in our taxing ability brought about by the Headlee Amendment and Proposal A. These initiatives that had been signed into law, have combined to cause the City to be unable to raise additional tax dollars to replace those lost by cost increases and revenue sharing reductions.

The City had passed a Headlee over-ride millage vote in November 2003 that will allow the City to levy .50 mill per year up to the maximum allowed under the Headlee tax limitation statute. The millage will allow the City to increase its taxation ceiling incrementally over the next 10 years. The fund balance appropriation will be reduced by the following:

- 1) A reduction in spending and budget delays based upon the implementation of the study completed by the AD-HOC Financial Analysis Committee including a series of 29 directives for reductions in expenditures city-wide.
- 2) Further budget reductions and delays in capital project spending.
- 3) Increase in millage by .50 mills per year as per voter approval.

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

5. The City of Huntington Woods as a Whole

The City's combined total of net assets for the fiscal year ended June 30, 2004 is \$19.8 million. This is the second year that the new reporting format is being implemented, so comparative analysis of government-wide data is being presented.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$3.5 million in fiscal year ended 2004. \$2.1 million is the amount of unrestricted net assets reported for the City of Huntington Woods, Michigan's governmental activities.

The information below shows total assets, total liabilities and total nets assets as of June 30, 2004 and 2003, in a condensed format.

	Governmental Activities 2004	Business-Type Activities 2004	Total	Governmental Activities 2003	Business-Type Activities 2003	Total
Current Assets	\$ 4,527,905	\$ 1,616,233	\$ 6,144,138	\$ 5,659,231	\$ 1,882,045	\$ 7,541,276
Capital Assets	27,236,961	2,827,475	30,064,436	28,017,927	2,910,813	30,928,740
Total assets	31,764,866	4,443,708	36,208,574	33,677,158	4,792,858	38,470,016
Long-Term Debt	13,888,211	55,812	13,944,023	14,522,719	83,722	14,606,441
Other Liabilities	2,213,643	169,696	2,383,339	2,966,785	412,838	3,379,623
Total liabilities	16,101,854	225,508	16,327,362	17,489,504	496,560	17,986,064
Net Assets						
Invested in Capital Assets,						
Net of Debt	13,355,636	2,771,663	16,127,299	13,496,288	2,827,091	16,323,379
Restricted	136,015	-	136,015	136,015	-	136,015
Unrestricted	2,171,361	1,446,537	3,617,898	2,547,230	1,469,207	4,016,437
Total Net Assets	\$ 15,663,012	\$ 4,218,200	\$ 19,881,212	\$ 16,179,533	\$ 4,296,298	\$ 20,475,831

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

5. The City of Huntington Woods as a Whole - Continued

The following shows the change in net assets as of June 30, 2004 and 2003, in a condensed format.

	Governmental Activities 2004	Business-Type Activities 2004	Total	Governmental Activities 2003	Business-Type Activities 2003	Total
Program Revenues						
Charges for services	\$ 1,825,036	\$ 1,500,798	\$ 3,325,834	\$ 1,415,403	\$ 1,528,824	\$ 2,944,227
Operating grants and contributions	393,415	-	393,415	355,544	-	355,544
Capital grants and contributions	12,216	-	12,216	83,060	-	83,060
General Revenues						
Property taxes	5,145,473	-	5,145,473	5,107,815	-	5,107,815
State-shared revenues	607,762	-	607,762	656,395	-	656,395
Interest earnings	23,710	7,398	31,108	209,972	32,654	242,626
Other revenue	54,758	-	54,758	22,178	-	22,178
Total revenues	8,062,370	1,508,196	9,570,566	7,850,367	1,561,478	9,411,845
Program Expenses						
General government	2,138,692	-	2,138,692	2,702,624	-	2,702,624
Public safety	1,502,117	-	1,502,117	1,481,645	-	1,481,645
Public works	229,489	-	229,489	350,869	-	350,869
Library	418,550	-	418,550	377,000	-	377,000
Maintenance	411,802	-	411,802	281,565	-	281,565
Traffic services	20,971	-	20,971	9,649	-	9,649
Snow and ice removal	54,585	-	54,585	56,057	-	56,057
Administrative	172,247	-	172,247	192,286	-	192,286
Aquatic Club	188,969	-	188,969	144,003	-	144,003
Recreation	1,320,142	-	1,320,142	1,091,175	-	1,091,175
Employee benefits	1,142,039	-	1,142,039	894,233	-	894,233
Professional services	396,731	-	396,731	382,412	-	382,412
Capital outlay	267,875	-	267,875	-	-	-
Interest expense	523,336	-	523,336	516,754	-	516,754
Water	-	1,377,640	1,377,640	-	1,187,209	1,187,209
Total program expenses	8,787,545	1,377,640	10,165,185	8,480,272	1,187,209	9,667,481
Excess (Deficiency) Before Transfers	(725,175)	130,556	(594,619)	(629,905)	374,269	(255,636)
Transfers	208,654	(208,654)	-	297,851	(297,851)	-
Increase (Decrease) in Net Assets	(516,521)	(78,098)	(594,619)	(332,054)	76,418	(255,636)
Net Assets - Beginning of Year	16,179,533	4,296,298	20,475,831	16,511,587	4,219,880	20,731,467
Net Assets - Ending of Year	\$ 15,663,012	\$ 4,218,200	\$ 19,881,212	\$ 16,179,533	\$ 4,296,298	\$ 20,475,831

CITY OF HUNTINGTON WOODS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY

The City of Huntington Woods, Michigan as a mature community unfortunately is greatly impacted by changes in fiscal policies at the state level, pertaining to taxation issues far more than in communities where growth is possible. Under a no-growth scenario, the issues surrounding Proposal A and the implementation of the changes it brought about continue to play a major role in the future decision making of the City Commission. Fortunately, the City has taken an aggressive stance in reducing the impact of these changes. The final AD-HOC Financial and Analysis Committee report recommendations are being implemented. The recent millage vote will over the next few years increase the amount of ad-valorem tax revenue the City can collect. However, cuts in expenditures will still be needed to bring the operating income back to a positive value. The City must take appropriate steps to insure that the City posts a net gain in income within the next two fiscal years. The City should strive to maintain a viable fund balance for cash flow and budget stabilization purposes.

The City is currently in the process of reviewing our obligations as they pertain to GASB 45. This will require the City to report additional information regarding the long-term impact of post employment obligations other than pensions (i.e. health care). This will require the City to determine the cost on an actuarial basis. The City will need to determine the implications of this accounting requirement, as the cost of funding this obligation will be large. The City will be required to complete this process by July 1, 2009, for phase three governmental units which have annual revenues less than \$10 million dollars.

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City of Huntington Woods, Michigan's finances and to show accountability for the money received. If you have any questions about this report or need additional information, we welcome you to contact the administrative offices at City Hall.

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF NET ASSETS JUNE 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (note 1)	\$ 621,280	\$ 86,407	\$ 707,687
Investments (note 2)	3,646,830	1,088,002	4,734,832
Receivables			
Accounts receivable	221,068	386,680	607,748
Contracts	26,489	-	26,489
Special assessments	4,535	-	4,535
Accrued interest	7,703	-	7,703
Inventories	-	55,144	55,144
Capital assets, net (note 3)			
Assets not depreciated	89,802	1,000	90,802
Construction-in-progress	3,748,688	-	3,748,688
Assets being depreciated	23,398,471	2,826,475	26,224,946
Total assets	31,764,866	4,443,708	36,208,574
Liabilities			
Accounts payable and contract retainages	261,242	129,560	390,802
Bank overdraft	770,920	-	770,920
Accrued expenses	64,232	19,656	83,888
Deposits	547,912	20,480	568,392
Other liabilities	569,337	-	569,337
Noncurrent liabilities (note 5)			
Due within one year	686,363	55,812	742,175
Due in more than one year	13,201,848	-	13,201,848
Total liabilities	16,101,854	225,508	16,327,362
Net Assets			
Invested in capital assets, net of related debt	13,355,636	2,771,663	16,127,299
Restricted for			
Construction projects	136,015	-	136,015
Unrestricted	2,171,361	1,446,537	3,617,898
Total net assets	\$ 15,663,012	\$ 4,218,200	\$ 19,881,212

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,138,692	\$ 458,754	\$ -	\$ 8,793	\$ (1,671,145)	\$ -	\$ (1,671,145)
Public safety	1,502,117	136,407	-	3,423	(1,362,287)	-	(1,362,287)
Public works	229,489	241,142	-	-	11,653	-	11,653
Library	418,550	16,986	5,358	-	(396,206)	-	(396,206)
Maintenance	411,802	-	388,057	-	(23,745)	-	(23,745)
Traffic services	20,971	-	-	-	(20,971)	-	(20,971)
Snow and ice removal	54,585	-	-	-	(54,585)	-	(54,585)
Administrative	172,247	-	-	-	(172,247)	-	(172,247)
Aquatic Club	188,969	171,600	-	-	(17,369)	-	(17,369)
Recreation	1,320,142	800,147	-	-	(519,995)	-	(519,995)
Employee benefits	1,142,039	-	-	-	(1,142,039)	-	(1,142,039)
Professional services	396,731	-	-	-	(396,731)	-	(396,731)
Capital outlay	267,875	-	-	-	(267,875)	-	(267,875)
Interest on long-term debt	523,336	-	-	-	(523,336)	-	(523,336)
Total governmental activities	8,787,545	1,825,036	393,415	12,216	(6,556,878)	-	(6,556,878)
Business-type activities							
Water	1,377,640	1,500,798	-	-	-	123,158	123,158
Total primary government	<u>\$ 10,165,185</u>	<u>\$ 3,325,834</u>	<u>\$ 393,415</u>	<u>\$ 12,216</u>	(6,556,878)	123,158	(6,433,720)
General revenues and transfers							
Property taxes, levied for general purposes					4,024,806	-	4,024,806
Property taxes, levied for debt service purposes					1,120,667	-	1,120,667
State-shared revenues					607,762	-	607,762
Interest and investment earnings					23,710	7,398	31,108
Other					54,758	-	54,758
Transfers					208,654	(208,654)	-
Total general revenues and transfers					6,040,357	(201,256)	5,839,101
Changes in net assets					(516,521)	(78,098)	(594,619)
Net Assets - July 1, 2003 (Restated)					16,179,533	4,296,298	20,475,831
Net Assets - June 30, 2004					<u>\$ 15,663,012</u>	<u>\$ 4,218,200</u>	<u>\$ 19,881,212</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2004

ASSETS

	General Fund	Major Funds Sanitation Fund	Recreation Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ -	\$ 5,030	\$ 150,351	\$ 350,996	\$ 506,377
Investments	2,055,373	145,000	-	572,157	2,772,530
Receivables					
Accounts receivable	131,824	-	-	89,244	221,068
Taxes	23,038	3,073	378	-	26,489
Inventories	7,703	-	-	-	7,703
Prepaid items	1,510	-	-	3,025	4,535
	<u>2,219,448</u>	<u>153,103</u>	<u>150,729</u>	<u>1,015,422</u>	<u>3,538,702</u>
Total assets	<u>\$ 2,219,448</u>	<u>\$ 153,103</u>	<u>\$ 150,729</u>	<u>\$ 1,015,422</u>	<u>\$ 3,538,702</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 93,345	\$ 31,885	\$ 30,056	\$ 78,316	\$ 233,602
Bank overdraft	770,920	-	-	-	770,920
Accrued expenses	30,878	1,059	28,951	2,768	63,656
Other liabilities	534,833	-	13,079	-	547,912
	<u>1,429,976</u>	<u>32,944</u>	<u>72,086</u>	<u>81,084</u>	<u>1,616,090</u>
Total liabilities	<u>1,429,976</u>	<u>32,944</u>	<u>72,086</u>	<u>81,084</u>	<u>1,616,090</u>

Fund Balances

Reserved for					
Construction and improvements	-	-	-	136,015	136,015
Unreserved					
Designated	177,082	120,159	-	124,350	421,591
Undesignated	612,390	-	78,643	673,973	1,365,006
	<u>789,472</u>	<u>120,159</u>	<u>78,643</u>	<u>934,338</u>	<u>1,922,612</u>
Total fund balances	<u>789,472</u>	<u>120,159</u>	<u>78,643</u>	<u>934,338</u>	<u>1,922,612</u>
Total liabilities and fund balances	<u>\$ 2,219,448</u>	<u>\$ 153,103</u>	<u>\$ 150,729</u>	<u>\$ 1,015,422</u>	<u>\$ 3,538,702</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET ASSETS
JUNE 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances for governmental funds	\$ 1,922,612
Capital assets used in governmental activities are not financial resources and are not reported in the funds	26,367,225
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(13,881,325)
Internal Service Funds are included as part of governmental activities	1,261,386
Compensated absences are included as a liability in governmental activities	<u>(6,886)</u>
Net assets of governmental activities	<u>\$ 15,663,012</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

BALANCE SHEET FULL ACCRUAL ADJUSTMENTS - GOVERNMENTAL ACTIVITIES JUNE 30, 2004

ASSETS

	Total Governmental Funds	Reclassifications and Adjustments		
		Add Internal Service Funds	Due To/(From) Balances	Long-Term Debt
Cash and cash equivalents	\$ 506,377	\$ 114,903	\$ -	\$ -
Investments	2,772,530	874,300	-	-
Receivables				
Accounts receivable	221,068	-	-	-
Taxes	26,489	-	-	-
Prepaid items	4,535	-	-	-
Inventories	7,703	-	-	-
Capital assets, net				
Assets not depreciated	-	-	-	-
Construction-in-progress	-	-	-	-
Assets being depreciated	-	-	-	-
		869,736	-	-
Total assets	<u>\$ 3,538,702</u>	<u>\$ 1,858,939</u>	<u>\$ -</u>	<u>\$ -</u>

LIABILITIES AND FUND BALANCES/NET ASSETS

Liabilities

Accounts payable	\$ 233,602	\$ 27,640	\$ -	\$ -
Bank overdraft	770,920	-	-	-
Accrued expenses	63,656	576	-	-
Deposits	547,912	-	-	-
Other liabilities	-	-	-	-
Noncurrent liabilities		569,337	-	-
Due within one year	-	-	-	679,477
Due in more than one year	-	-	-	13,201,848
Total liabilities	1,616,090	597,553	-	13,881,325

Fund Balances/Net Assets

Fund balances				
Reserved for				
Encumbrances	-	180,000	-	-
Construction and improvements	136,015	-	-	-
Unreserved				
Designated	421,591	-	-	-
Undesignated	1,365,006	-	-	-
Net assets				
Invested in capital assets, net of related debt	-	869,736	-	(13,881,325)
Restricted for				
Construction projects	-	-	-	-
Unrestricted	-	211,650	-	-
Total fund balances/net assets	<u>1,922,612</u>	<u>1,261,386</u>	<u>-</u>	<u>(13,881,325)</u>
Total liabilities and fund balances/net assets	<u>\$ 3,538,702</u>	<u>\$ 1,858,939</u>	<u>\$ -</u>	<u>\$ -</u>

Reclassifications and Adjustments				
Compensated Absences	Capital Assets - Cost	Capital Assets - Accumulated Depreciation	Designated and Reserved Fund Balances	Governmental Activities
\$ -	\$ -	\$ -	\$ -	\$ 621,280
-	-	-	-	3,646,830
-	-	-	-	221,068
-	-	-	-	26,489
-	-	-	-	4,535
-	-	-	-	7,703
-	89,802	-	-	89,802
-	3,748,688	-	-	3,748,688
-	31,650,958	(9,122,223)	-	23,398,471
<u>\$ -</u>	<u>\$ 35,489,448</u>	<u>\$ (9,122,223)</u>	<u>\$ -</u>	<u>\$ 31,764,866</u>
\$ -	\$ -	\$ -	\$ -	\$ 261,242
-	-	-	-	770,920
-	-	-	-	64,232
-	-	-	-	547,912
-	-	-	-	569,337
6,886	-	-	-	686,363
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,201,848</u>
6,886	-	-	-	16,101,854
-	-	-	(180,000)	-
-	-	-	(136,015)	-
-	-	-	(421,591)	-
-	-	-	(1,365,006)	-
-	35,489,448	(9,122,223)	-	13,355,636
-	-	-	136,015	136,015
(6,886)	-	-	1,966,597	2,171,361
<u>(6,886)</u>	<u>35,489,448</u>	<u>(9,122,223)</u>	<u>-</u>	<u>15,663,012</u>
<u>\$ -</u>	<u>\$ 35,489,448</u>	<u>\$ (9,122,223)</u>	<u>\$ -</u>	<u>\$ 31,764,866</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Sanitation Fund	Recreation Fund		
Revenues					
Property taxes and special assessments	\$ 3,497,973	\$ 468,270	\$ 58,563	\$ 1,120,667	\$ 5,145,473
Licenses and permits	223,242	-	-	-	223,242
Intergovernmental	625,336	-	-	372,135	997,471
Charges for services	70,708	-	-	-	70,708
Aquatic Club charges	-	-	171,600	-	171,600
Program fees	-	-	800,147	-	800,147
Fines and forfeits	162,664	-	-	-	162,664
Interest	17,644	1,881	149	(1,304)	18,370
Other	184,048	28,284	-	41,086	253,418
Total revenues	4,781,615	498,435	1,030,459	1,532,584	7,843,093
Expenditures					
Current					
General government	961,281	-	-	-	961,281
Public safety	1,498,337	-	-	-	1,498,337
Public works	227,553	-	-	-	227,553
Library	386,490	-	-	-	386,490
Maintenance	-	-	-	411,802	411,802
Traffic services	-	-	-	20,971	20,971
Snow and ice removal	-	-	-	54,585	54,585
Administrative	-	77,000	-	95,247	172,247
Aquatic Club	-	-	188,969	-	188,969
Recreation	-	-	1,294,302	-	1,294,302
Employee benefits	1,120,666	18,480	-	-	1,139,146
Professional services	-	396,731	-	-	396,731
Capital outlay	-	-	-	346,791	346,791
Debt service	-	-	-	630,535	630,535
Principal	-	-	-	523,336	523,336
Interest and other charges	-	-	-	-	-
Total expenditures	4,194,327	492,211	1,483,271	2,083,267	8,253,076
Excess of Revenues Over (Under) Expenditures	587,288	6,224	(452,812)	(550,683)	(409,983)
Other Financing Sources (Uses)					
Transfers - in	162,470	-	449,832	412,734	1,025,036
Transfers - out	(1,001,432)	(38,550)	-	(25,000)	(1,064,982)
Total other financing sources (uses)	(838,962)	(38,550)	449,832	387,734	(39,946)
Net Change in Fund Balances	(251,674)	(32,326)	(2,980)	(162,949)	(449,929)
Fund Balances - July 1, 2003	1,041,146	152,485	81,623	1,097,287	2,372,541
Fund Balances - June 30, 2004	\$ 789,472	\$ 120,159	\$ 78,643	\$ 934,338	\$ 1,922,612

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ (449,929)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period	(665,858)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	630,535
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds	(2,893)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expenses of the Internal Service Funds is reported with governmental activities	<u>(28,376)</u>
Change in net assets of governmental activities	<u>\$ (516,521)</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES AND EXPENDITURES FULL ACCRUAL ADJUSTMENTS - GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

	Total Governmental Funds	Allocate Internal Service Net Income	Transfers In/(Out)	Long-Term Debt
Revenues				
Property taxes and special assessments	\$ 5,145,473	\$ -	\$ -	\$ -
Licenses and permits	223,242	-	-	-
Intergovernmental	997,471	-	-	-
Charges for services	70,708	212,858	-	-
Aquatic Club charges	171,600	-	-	-
Program fees	800,147	-	-	-
Fines and forfeits	162,664	-	-	-
Investment income	18,370	5,340	-	-
Other	253,418	1,079	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	7,843,093	219,277	-	-
Expenditures				
Current				
General government	961,281	496,253	-	-
Public safety	1,498,337	-	-	-
Public works	227,553	-	-	-
Library	386,490	-	-	-
Maintenance	411,802	-	-	-
Traffic services	20,971	-	-	-
Snow and ice removal	54,585	-	-	-
Administrative	172,247	-	-	-
Aquatic Club	188,969	-	-	-
Recreation	1,294,302	-	-	-
Employee benefits	1,139,146	-	-	-
Professional services	396,731	-	-	-
Capital outlay	346,791	-	-	-
Debt service				
Principal	630,535	-	-	(630,535)
Interest and other charges	523,336	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	8,253,076	496,253	-	(630,535)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)				
Expenditures	(409,983)	(276,976)	-	630,535
Other Financing Sources (Uses)				
Transfers - in	1,025,036	250,600	(1,066,982)	-
Transfers - out	(1,064,982)	(2,000)	1,066,982	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(39,946)	248,600	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)/Change in Fund Balances/Net Assets	(449,929)	(28,376)	-	630,535
Fund Balances/Net Assets - July 1, 2003	2,372,541	1,289,762	-	478,188
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances/Net Assets - June 30, 2004	<u>\$ 1,922,612</u>	<u>\$ 1,261,386</u>	<u>\$ -</u>	<u>\$ 1,108,723</u>

<u>Compensated Absences</u>	<u>Capital Outlay</u>	<u>Depreciation</u>	<u>Special Assessments</u>	<u>Interdepartmental and Interfund Charges</u>	<u>Governmental Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,145,473
-	-	-	-	-	223,242
-	-	-	-	-	997,471
-	-	-	-	-	283,566
-	-	-	-	-	171,600
-	-	-	-	-	800,147
-	-	-	-	-	162,664
-	-	-	-	-	23,710
-	-	-	-	-	254,497
-	-	-	-	-	8,062,370
-	-	681,158	-	-	2,138,692
-	-	3,780	-	-	1,502,117
-	-	1,936	-	-	229,489
-	-	32,060	-	-	418,550
-	-	-	-	-	411,802
-	-	-	-	-	20,971
-	-	-	-	-	54,585
-	-	-	-	-	172,247
-	-	-	-	-	188,969
2,893	-	25,840	-	-	1,320,142
-	-	-	-	-	1,142,039
-	(78,916)	-	-	-	396,731
-	-	-	-	-	267,875
-	-	-	-	-	-
-	-	-	-	-	523,336
2,893	(78,916)	744,774	-	-	8,787,545
(2,893)	78,916	(744,774)	-	-	(725,175)
-	-	-	-	-	208,654
-	-	-	-	-	-
-	-	-	-	-	208,654
(2,893)	78,916	(744,774)	-	-	(516,521)
(4,128)	1,400,032	(1,153,262)	-	-	4,383,133
<u>\$ (7,021)</u>	<u>\$ 1,478,948</u>	<u>\$ (1,898,036)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,866,612</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2003	\$ 1,041,146	\$ 1,041,146	\$ 1,041,146	\$ -
Resources (Inflows)				
Property taxes	3,532,407	3,532,407	3,497,973	(34,434)
Licenses and permits	179,050	189,050	223,242	34,192
Intergovernmental	667,156	627,156	625,336	(1,820)
Charges for services	76,500	76,500	70,708	(5,792)
Fines and forfeits	143,700	143,700	162,664	18,964
Interest income	75,500	65,500	17,644	(47,856)
Transfers - in	122,470	162,470	162,470	-
Other	112,083	112,083	184,048	71,965
Amounts available for appropriation	4,908,866	4,908,866	4,944,085	35,219
Charges to Appropriations (Outflows)				
General government	924,595	924,595	961,281	(36,686)
Public safety	1,526,221	1,526,221	1,498,337	27,884
Public works	243,491	268,491	227,553	40,938
Library	385,620	385,620	386,490	(870)
Employee benefits	999,177	1,034,177	1,120,666	(86,489)
Transfers - out	1,121,032	1,057,032	1,001,432	55,600
Total charges to appropriations	5,200,136	5,196,136	5,195,759	377
Budgetary Fund Balance - June 30, 2004	<u>\$ 749,876</u>	<u>\$ 753,876</u>	<u>\$ 789,472</u>	<u>\$ 35,596</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - SANITATION FUND FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2003	\$ 152,485	\$ 152,485	\$ 152,485	\$ -
Resources (Inflows)				
Property taxes	467,517	467,517	468,270	753
Other	500	500	28,284	27,784
Interest income	7,500	7,500	1,881	(5,619)
Amounts available for appropriation	475,517	475,517	498,435	22,918
Charges to Appropriations (Outflows)				
Administrative	74,472	74,472	77,000	(2,528)
Employee benefits	18,480	18,480	18,480	-
Professional services	365,127	365,127	396,731	(31,604)
Transfers - out	38,550	38,550	38,550	-
Total charges to appropriations	496,629	496,629	530,761	(34,132)
Budgetary Fund Balance - June 30, 2004	<u>\$ 131,373</u>	<u>\$ 131,373</u>	<u>\$ 120,159</u>	<u>\$ (11,214)</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - RECREATION FUND FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance - July 1, 2003	\$ 81,623	\$ 81,623	\$ 81,623	\$ -
Resources (Inflows)				
Property taxes	57,515	57,515	58,563	1,048
State sources	10,000	10,000	-	(10,000)
Aquatic Club charges	165,000	165,000	171,600	6,600
Program fees	593,390	593,390	800,147	206,757
Interest income	1,500	1,500	149	(1,351)
Transfers - in	449,832	449,832	449,832	-
Amounts available for appropriation	1,277,237	1,277,237	1,480,291	203,054
Charges to Appropriations (Outflows)				
Bus	56,601	56,601	48,699	7,902
Recreation	390,079	390,079	440,407	(50,328)
Programs	711,194	711,194	805,196	(94,002)
Pool	170,462	170,462	188,969	(18,507)
Total charges to appropriations	1,328,336	1,328,336	1,483,271	(154,935)
Budgetary Fund Balance - June 30, 2004	<u>\$ 30,524</u>	<u>\$ 30,524</u>	<u>\$ 78,643</u>	<u>\$ 48,119</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS JUNE 30, 2004

	<u>Business-Type Activities Water Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 86,407	\$ 114,903
Investments	1,088,002	874,300
Receivables	386,680	-
Inventories	55,144	-
Total current assets	<u>1,616,233</u>	<u>989,203</u>
Noncurrent Assets		
Capital assets, net		
Assets not depreciated	1,000	-
Assets being depreciated	2,826,475	869,736
Total noncurrent assets	<u>2,827,475</u>	<u>869,736</u>
Total assets	<u><u>\$ 4,443,708</u></u>	<u><u>\$ 1,858,939</u></u>
Liabilities		
Current Liabilities		
Current portion of long-term debt	\$ 55,812	\$ -
Accounts payable and contract	129,560	27,640
Accrued expenses	19,656	576
Deposits and other	20,480	-
Due to employees	-	569,337
Total current liabilities	<u>225,508</u>	<u>597,553</u>
Net Assets		
Invested in capital assets, net of related debt	2,771,663	869,736
Restricted for		
Other purposes	-	180,000
Unrestricted	1,446,537	211,650
Total net assets	<u>4,218,200</u>	<u>1,261,386</u>
Total liabilities and net assets	<u><u>\$ 4,443,708</u></u>	<u><u>\$ 1,858,939</u></u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities Water Fund	Governmental Activities Internal Service Funds
Operating Revenues		
Charges for sales and services	\$ 1,496,938	\$ -
Penalties	3,860	-
Charges to other funds of the City	-	212,858
Other	-	1,079
Total operating revenues	1,500,798	213,937
Operating Expenses		
Sewage disposal costs	572,120	-
Water purchases	287,199	-
Payroll and benefits	297,171	-
Depreciation	95,843	85,215
Other	125,307	411,038
Total operating expenses	1,377,640	496,253
Operating Income (Loss)	123,158	(282,316)
Nonoperating Revenues (Expenses)		
Interest income	7,398	5,340
Transfers - in (out)	(208,654)	248,600
Total nonoperating revenues (expenses)	(201,256)	253,940
Change in Net Assets	(78,098)	(28,376)
Net Assets - July 1, 2003	4,296,298	1,289,762
Net Assets - June 30, 2004	<u>\$ 4,218,200</u>	<u>\$ 1,261,386</u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities Water Fund	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers	\$ 1,484,027	\$ 213,937
Payments to suppliers for goods and services	(1,227,768)	(102,840)
Payments to employees for services	(297,171)	(310,088)
Other receipts	-	20,009
	<u> </u>	<u> </u>
Net cash used in operating activities	(40,912)	(178,982)
Cash Flows From Noncapital Financing Activities:		
Interfund transfers	(208,654)	248,600
Cash Flows From Capital and Related Financing Activities:		
Acquisition of property, plant and equipment	(12,504)	(13,908)
Proceeds from sale of fixed assets	-	12,584
Bank overdraft	-	(122,964)
Payments of long-term debt	(27,911)	-
	<u> </u>	<u> </u>
Net cash used in capital and related financing activities	(40,415)	(124,288)
Cash Flows From Investing Activities:		
Interest received	7,398	5,340
	<u> </u>	<u> </u>
Net Decrease in Cash and Cash Equivalents	(282,583)	(49,330)
Cash and Cash Equivalents - July 1, 2003	1,456,992	1,038,533
	<u> </u>	<u> </u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 1,174,409</u></u>	<u><u>\$ 989,203</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ 123,158	\$ (282,316)
Depreciation	95,843	85,215
Loss on sale of fixed assets	-	17,310
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Increase in receivables	(16,771)	-
Increase (decrease) in accounts payable and contract	(7,586)	17,138
Increase in deposits and other	4,965	-
Decrease in due to other funds	(241,284)	-
Increase (decrease) in other liabilities	763	(16,329)
	<u> </u>	<u> </u>
Total adjustments	(259,913)	809
	<u> </u>	<u> </u>
Net cash used in operating activities	<u><u>\$ (40,912)</u></u>	<u><u>\$ (178,982)</u></u>

See accompanying notes to financial statements

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 1 - Significant Accounting Policies

The accounting policies of the City of Huntington Woods, Michigan conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

The Reporting Entity

The City has adopted the position of the Governmental Accounting Standards Board (GASB) as outlined in its Statement 1 regarding the definition of reporting entity. The basic criteria for including a governmental department, agency, institution, commission, public authority or other governmental organizations in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials.

The City has no entities that are not included in this report.

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into six generic fund types and two broad fund categories as follows:

Governmental Funds

The City reports the following major and nonmajor governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

A. Fund Accounting - Continued

Governmental Funds - Continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for the annual payment of principal, interest and expenditures in connection with certain long-term debt other than debt payable from the operations of a proprietary fund.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains an Enterprise Fund with one segment which provides water and sewer services.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

A. Fund Accounting - Continued

Proprietary Funds - Continued

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.

B. Capital Assets and Long-Term Liabilities

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

<u>Assets Classification</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Building improvements	40 years
Infrastructure	60 years
Machinery and equipment	7 - 15 years
Office equipment/furniture	5 - 10 years
Vehicles	7 years

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

B. Capital Assets and Long-Term Liabilities - Continued

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

C. Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Property taxes are based on December 31, 2003 assessments with taxes due and payable during the fiscal year ended June 30, 2004. They are included in revenue as they are both measurable and available.

Revenues that are not susceptible to accrual, including the majority of charges for services, fines and forfeits, and miscellaneous revenues are recorded when received.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund service receivables are recorded at year end.

Trust funds totaling \$256,779 have been included in cash and cash equivalents and other liabilities in the General Fund as of June 30, 2004.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

D. Basis of Presentation - Government-Wide Financial Statements

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement No. 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government. The statements are presented to distinguish between governmental and business-type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in Governmental and Internal Service Funds. Business-type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's Enterprise Funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, library collection, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

D. Basis of Presentation - Government-Wide Financial Statements - Continued

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings. Roads are depreciated as a class with each class containing items based on their date of construction or reconstruction. Sidewalks are depreciated by class with each class containing items based on the year of construction.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Budget Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). Requirements are as follows:

1. Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

E. Budget Information - Continued

Budgeted amounts of the revenues and expenditures presented for the General Fund, Special Revenue Funds and Debt Service Funds are a summarization of the budgeted amounts as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations which were amended. Budget appropriations lapse at year-end and encumbrances are not included as expenditures. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the above funds, is presented in the financial statements. Budgets have been prepared on a basis consistent with generally accepted accounting principles.

F. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The City estimated \$287,270 from the unreserved fund balance for operations. For the fiscal year ended June 30, 2004, \$251,674 was used for this purpose. The General Fund finished the year with 95% of all appropriations spent in aggregate, however for the year ended June 30, 2004, the following accounts incurred excess expenditures over the amount appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Excess of Appropriation</u>	<u>Percentage</u>
General Fund				
Administrative	\$ 794,545	\$ 834,579	\$ 40,034	5%
Employee benefits	1,034,177	1,120,666	86,489	8%
Insurance	108,575	111,102	2,527	3%
Special Revenue Funds				
Recreation	\$ 1,328,336	\$ 1,483,271	\$ 154,935	11%
Major Road	240,189	255,222	15,033	6%
Local Road	286,976	326,772	39,796	13%
Sanitation	496,629	530,761	34,132	7%

The funds had adequate fund balance to cover the expenditures in excess of amounts appropriated.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 1 - Significant Accounting Policies - Continued

F. Budget Compliance - Continued

The City established the Health Insurance Fund, an Internal Service Fund, on July 1, 2002 for the purpose of providing a fund by which future employee health insurance costs may be charged. Although this fund had posted a deficit balance at the end of 2003, the current year operations resulted in a positive fund balance of \$34,998.

G. Property taxes are recorded on the accrual basis of accounting and are levied by the City each July 1st on the assessed valuation of the property located within its boundaries as of the preceding December 31st. Any real property taxes not paid by March 1st, following the due date, are reimbursed by the County. The County Treasurer takes over collection responsibility at that date. Delinquent personal property taxes, on the other hand, are less certain as to ultimate collection.

H. Throughout the year ended June 30, 2004, the City had cash balances with a major single financial institution in excess of \$100,000 which is covered by Federal Depository Insurance. At June 30, 2004, no single investment instrument was in excess of the FDIC insurance limit.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 2 - Investments

Investments are summarized as follows:

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Short-term investment					
pools	\$ -	\$ 1,794,838	\$ -	\$ 1,794,838	\$ 1,794,838
U.S. Government Agencies	-	2,807,508	-	2,807,508	2,807,508
Interlocal Trust Agreement	-	132,486	-	132,486	132,486
Total	<u>\$ -</u>	<u>\$ 4,734,832</u>	<u>\$ -</u>	<u>\$ 4,734,832</u>	<u>\$ 4,734,832</u>

The City's investments are categorized to give an indication of the level of risk assumed by the entity at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its Trust Department or agent but not in the City's name.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 3 - Capital Assets

Capital Assets Activity of the primary government's Governmental and Business-Type Activities was as follows:

	Balance 7/1/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
Infrastructure - roads and sidewalks	\$ 19,543,654	\$ -	\$ -	\$ 19,543,654
Vehicles	15,869	-	-	15,869
Office equipment and furniture	727,496	46,019	-	773,515
Library books and fine arts	678,182	-	-	678,182
Machinery and equipment	2,623,308	14,757	92,717	2,545,348
Land improvements	124,928	-	-	124,928
Building and building improvements	8,821,058	18,140	-	8,839,198
Land	89,802	-	-	89,802
Construction-in-progress	3,748,688	-	-	3,748,688
Total at historical cost	36,372,985	78,916	92,717	36,359,184
Less Accumulated Depreciation For:				
Infrastructure - roads and sidewalks	3,925,946	315,478	-	4,241,424
Vehicles	4,408	882	-	5,290
Office equipment and furniture	628,738	117,518	-	746,256
Library books and fine arts	581,766	30,276	-	612,042
Machinery and equipment	1,081,091	130,190	62,823	1,148,458
Land improvements	80,491	25,039	-	105,530
Building and building improvements	2,052,617	210,606	-	2,263,223
Total accumulated depreciation	8,355,057	829,989	62,823	9,122,223
Total Governmental Activities Capital Assets, net	\$ 28,017,928	\$ (751,073)	\$ 29,894	\$ 27,236,961

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 3 - Capital Assets - Continued

	Balance 7/1/03	Additions	Reductions	Balance 6/30/04
Business-Type Activities				
Building and building improvements	\$ 7,499	\$ -	\$ -	\$ 7,499
Land	1,000	-	-	1,000
Machinery and equipment	435,013	-	-	435,013
Water and sewer mains	3,341,695	12,505	-	3,354,200
Water meters	241,351	-	-	241,351
	<u>4,026,558</u>	<u>12,505</u>	<u>-</u>	<u>4,039,063</u>
Total at historical cost				
	4,026,558	12,505	-	4,039,063
Less accumulated depreciation	<u>1,115,745</u>	<u>95,843</u>	<u>-</u>	<u>1,211,588</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 2,910,813</u>	<u>\$ (83,338)</u>	<u>\$ -</u>	<u>\$ 2,827,475</u>

Depreciation included in the determination of operating income is computed on the straight-line basis over estimated useful lives ranging from 5 years to 60 years. Land is a non-depreciable asset. Depreciation expense at June 30, 2004 amounted to:

Water Fund	\$ 95,843
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The City's interest in the George W. Kuhn portion of the Twelve Town Drain System that is owned and operated by several governmental agencies has been reflected under the caption of construction-in-progress in the accompanying financial statements. Liabilities to the County for construction of the sewage disposal facilities are recorded in the government-wide statement of net assets as noncurrent liabilities of the City because related debt service charges are financed largely by property taxes levied instead of by user charges. Accordingly, property and equipment related to County sewer operations are not recorded in the Water Fund rather are recorded in governmental activities.

The prior year net assets balance has been adjusted to appropriately reflect the City's interest in the George W. Kuhn portion of the Twelve Town Drain System in the amount of \$3,748,688.

The City's interest in the initial Twelve Town Drain System has not been recorded in capital assets due to the immateriality of the net book value of the asset.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/04</u>
<u>Governmental Activities:</u>				
Compensatory time	\$ 9,779	\$ -	\$ 2,893	\$ 6,886
Recreation Center Improvement Bonds	4,350,000	-	200,000	4,150,000
Street Improvement Bonds	2,750,000	-	250,000	2,500,000
Street Improvement Bonds	3,500,000	-	75,000	3,425,000
George W. Kuhn Drain Bonds 2000-A	538,077	-	22,394	515,683
George W. Kuhn Drain Bonds 2000-B	199,508	-	6,264	193,244
George W. Kuhn Drain Bonds 2002-C	2,574,502	-	-	2,574,502
George W. Kuhn Drain Bonds 2002-D	99,284	-	-	99,284
George W. Kuhn Drain Bonds 2002-E	309,129	-	-	309,129
Recreation Center Installment Loan	<u>191,360</u>	<u>-</u>	<u>76,877</u>	<u>114,483</u>
Total Governmental Activities	14,521,639	-	633,428	13,888,211
<u>Business-Type Activities:</u>				
Vactor Installment Loan	<u>83,722</u>	<u>-</u>	<u>27,910</u>	<u>55,812</u>
Total	<u>\$ 14,605,361</u>	<u>\$ -</u>	<u>\$ 661,338</u>	<u>\$ 13,944,023</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Long-Term Debt - Continued

At June 30, 2004, long-term obligations consisted of:

Governmental Activities:

Compensatory time \$ 6,886

Recreation Center Improvement Bonds dated July 1, 1998; annual principal payments of \$165,000 to \$550,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$4,915,000) 4,150,000

Street Improvement Bonds dated April 1, 1999; annual principal payments of \$150,000 to \$300,000, due serially to October 1, 2014; interest rates 4% to 6% (original issue totaled \$3,500,000) 2,500,000

Street Improvement Bonds dated April 1, 2001; annual principal payments of \$75,000 to \$500,000, due beginning October 2003 serially to October 1, 2015; interest rates 4% to 4.5% (original issue totaled \$3,500,000) 3,425,000

George W. Kuhn Drain Bonds 2000-A dated April 1, 2001; annual principal payments of \$21,000 to \$36,000, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$560,001). These represent the City's portion of the total bonds issued by Oakland County 515,683

Total - this page 10,597,569

CITY OF HUNTINGTON WOODS, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Long-Term Debt - Continued

Governmental Activities - Continued:

Total - from previous page	\$ 10,597,569
George W. Kuhn Drain Bonds 2000-B dated April 1, 2001; annual principal payments of \$6,200 to \$15,500, due beginning April 2003 serially to April 1, 2022; interest rate at 2.5% (original issue totaled \$205,772). These represent the City's portion of the total bonds issued by Oakland County	193,244
George W. Kuhn Drain Bonds 2002-C dated April 1, 2002; annual principal payments of \$100,850 to \$161,142, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$2,574,502). These represent the City's portion of the total bonds issued by Oakland County	2,574,502
George W. Kuhn Drain Bonds 2002-D dated April 1, 2002; annual principal payments of \$3,915 to \$6,264, due beginning April 2005 serially to April 1, 2024; interest rate at 2.5% (original issue totaled \$99,284). These represent the City's portion of the total bonds issued by Oakland County	<u>99,284</u>
Total - this page	13,464,599

CITY OF HUNTINGTON WOODS, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Long-Term Debt - Continued

Governmental Activities - Continued:

Total - from previous page \$ 13,464,599

George W. Kuhn Drain Bonds 2002-E dated April 1, 2002; annual principal payments of \$10,962 to \$22,551, due beginning April 2005 serially to April 1, 2024; interest rate of 4% to 5.25% (original issue totaled \$309,129). These represent the City's portion of the total bonds issued by Oakland County 309,129

Recreation Center Installment Loan dated April 1, 2001; annual principal payments of \$33,683, due serially to April 1, 2007; interest rate at 5.45% (original issue totaled \$393,458) 114,483

Business-Type Activities:

Vactor Installment Loan dated March 5, 2001; semi-annual principal payments of \$13,955, due March and September to March 2006; interest rate at 5.45% 55,812

Total long-term debt \$ 13,944,023

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
Recreation Center Improvement Bonds					
7/1/98	\$ 4,915,000	6.00%	10/1/04	\$ 250,000	\$ 176,600
		6.00	10/1/05	250,000	161,600
		6.00	10/1/06	300,000	145,100
		4.70	10/1/07	300,000	129,050
		4.00	10/1/08	350,000	115,000
		4.00	10/1/09	350,000	101,000
		4.00	10/1/10	400,000	86,000
		4.00	10/1/11	450,000	69,000
		4.00	10/1/12	450,000	51,000
		4.00	10/1/13	500,000	32,000
		4.00	10/1/14	<u>550,000</u>	<u>11,000</u>
				<u>\$ 4,150,000</u>	<u>\$ 1,077,350</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
Street Improvement Bonds					
4/1/99	\$ 3,500,000	4.00%	10/1/04	\$ 150,000	\$ 97,000
		4.00	10/1/05	150,000	91,000
		4.00	10/1/06	150,000	85,000
		4.00	10/1/07	200,000	78,000
		4.00	10/1/08	225,000	69,500
		4.00	10/1/09	225,000	60,500
		4.00	10/1/10	250,000	51,000
		4.00	10/1/11	250,000	41,000
		4.00	10/1/12	300,000	30,000
		4.00	10/1/13	300,000	18,000
		4.00	10/1/14	<u>300,000</u>	<u>6,000</u>
				<u>\$ 2,500,000</u>	<u>\$ 627,000</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
Street Improvement Bonds					
4/1/01	\$ 3,500,000	4.125%	10/1/04	\$ 100,000	\$ 146,507
		4.125	10/1/05	125,000	141,866
		4.125	10/1/06	150,000	136,194
		4.250	10/1/07	150,000	129,913
		4.250	10/1/08	200,000	122,475
		4.250	10/1/09	250,000	112,913
		4.250	10/1/10	300,000	101,225
		4.250	10/1/11	300,000	88,475
		4.350	10/1/12	350,000	74,488
		4.500	10/1/13	500,000	55,625
		4.500	10/1/14	500,000	33,125
		4.375	10/1/15	<u>500,000</u>	<u>10,938</u>
				<u>\$ 3,425,000</u>	<u>\$ 1,153,744</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
George W. Kuhn Drain Bonds 2000-A					
4/1/01	\$ 560,001	2.5%	4/1/2005	\$ 23,020	\$ 12,892
		2.5	4/1/2006	23,647	12,316
		2.5	4/1/2007	24,273	11,726
		2.5	4/1/2008	24,743	11,118
		2.5	4/1/2009	25,369	10,500
		2.5	4/1/2010	25,996	9,866
		2.5	4/1/2011	26,779	9,216
		2.5	4/1/2012	27,405	8,546
		2.5	4/1/2013	28,031	7,862
		2.5	4/1/2014	28,814	7,160
		2.5	4/1/2015	29,441	6,440
		2.5	4/1/2016	30,224	5,704
		2.5	4/1/2017	31,007	4,948
		2.5	4/1/2018	31,790	4,174
		2.5	4/1/2019	32,573	3,378
		2.5	4/1/2020	33,356	2,564
		2.5	4/1/2021	34,139	1,730
		2.5	4/1/2022	35,076	876
				<u>\$ 515,683</u>	<u>\$ 131,016</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
George W. Kuhn Drain Bonds 2000-B					
4/1/01	\$ 205,772	4.7500%	4/1/2005	\$ 7,047	\$ 9,970
		4.7500	4/1/2006	7,047	9,636
		4.7500	4/1/2007	7,830	9,302
		5.0000	4/1/2008	7,830	8,930
		5.0000	4/1/2009	8,613	8,538
		5.0000	4/1/2010	8,613	8,106
		5.0000	4/1/2011	9,396	7,676
		5.0000	4/1/2012	9,396	7,206
		5.0000	4/1/2013	10,179	6,736
		5.1000	4/1/2014	10,962	6,228
		5.2000	4/1/2015	10,962	5,668
		5.2500	4/1/2016	11,745	5,098
		5.3000	4/1/2017	12,528	4,482
		5.3500	4/1/2018	13,311	3,818
		5.3750	4/1/2019	13,311	3,106
		5.3750	4/1/2020	14,094	2,390
		5.3750	4/1/2021	14,877	408
		5.3750	4/1/2022	15,503	834
				<u>\$ 193,244</u>	<u>\$ 108,132</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
George W. Kuhn Drain Bonds 2002-C					
4/1/02	\$ 2,574,502	2.5%	4/1/2005	\$ 100,850	\$ 64,362
		2.5	4/1/2006	103,356	61,840
		2.5	4/1/2007	105,862	59,258
		2.5	4/1/2008	108,524	56,610
		2.5	4/1/2009	111,186	53,898
		2.5	4/1/2010	114,005	51,118
		2.5	4/1/2011	116,824	48,268
		2.5	4/1/2012	119,799	45,348
		2.5	4/1/2013	122,774	42,352
		2.5	4/1/2014	125,906	39,284
		2.5	4/1/2015	129,038	36,136
		2.5	4/1/2016	132,327	32,910
		2.5	4/1/2017	135,615	29,602
		2.5	4/1/2018	138,904	26,210
		2.5	4/1/2019	142,349	22,738
		2.5	4/1/2020	145,951	19,180
		2.5	4/1/2021	149,553	15,530
		2.5	4/1/2022	153,311	11,792
		2.5	4/1/2023	157,226	7,960
		2.5	4/1/2024	<u>161,142</u>	<u>4,028</u>
				<u>\$ 2,574,502</u>	<u>\$ 728,424</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
George W. Kuhn Drain Bonds 2002-D					
4/1/02	\$ 99,284	2.5%	4/1/2005	\$ 3,915	\$ 2,482
		2.5	4/1/2006	3,915	2,384
		2.5	4/1/2007	4,072	2,286
		2.5	4/1/2008	4,228	2,184
		2.5	4/1/2009	4,228	2,078
		2.5	4/1/2010	4,385	1,974
		2.5	4/1/2011	4,541	1,864
		2.5	4/1/2012	4,541	1,750
		2.5	4/1/2013	4,698	1,636
		2.5	4/1/2014	4,855	1,520
		2.5	4/1/2015	5,011	1,398
		2.5	4/1/2016	5,168	1,272
		2.5	4/1/2017	5,168	1,144
		2.5	4/1/2018	5,324	1,014
		2.5	4/1/2019	5,481	880
		2.5	4/1/2020	5,638	744
		2.5	4/1/2021	5,794	602
		2.5	4/1/2022	5,951	458
		2.5	4/1/2023	6,107	310
		2.5	4/1/2024	6,264	156
				<u>\$ 99,284</u>	<u>\$ 28,136</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 4 - Long-Term Debt - Continued

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal Payments</u>	<u>Annual Interest Payable</u>
George W. Kuhn Drain Bonds 2002-E					
4/1/02	\$ 309,129	4.00%	4/1/2005	\$ 10,962	\$ 15,092
		4.10	4/1/2006	10,962	14,654
		4.40	4/1/2007	10,962	14,204
		4.50	4/1/2008	11,745	13,722
		4.50	4/1/2009	11,745	13,194
		4.50	4/1/2010	12,528	12,664
		4.50	4/1/2011	12,528	12,100
		4.60	4/1/2012	13,311	11,538
		4.70	4/1/2013	14,094	10,924
		4.80	4/1/2014	14,094	10,262
		4.90	4/1/2015	14,877	9,586
		5.00	4/1/2016	15,660	8,856
		5.10	4/1/2017	16,443	8,074
		5.10	4/1/2018	17,226	7,236
		5.15	4/1/2019	18,009	6,356
		5.20	4/1/2020	18,792	5,430
		5.20	4/1/2021	19,575	4,452
		5.20	4/1/2022	21,141	3,434
		5.25	4/1/2023	21,924	2,334
		5.25	4/1/2024	<u>22,551</u>	<u>1,184</u>
				<u>\$ 309,129</u>	<u>\$ 185,296</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 5 - Defined Benefit Pension Plan

Plan Description

The City contributes to the State of Michigan Municipal Employees Retirement System (MERS), which is an agent multiple-employer pension plan. The Plan provides both retirement and death and disability benefits for employees that were employed by the City prior to July 1, 1998. Public Act Number 220 of 1996 assigns the authority to establish and amend the benefit provisions of the MERS plan document. The MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Retirement Services, Municipal Employees Retirement System of Michigan, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (989) 322-5103.

Funding Policy

The City is required to contribute at an actuarial determined rate: the current rate in between 0.00% and 39.63% of covered payroll for individual employee groups. A retirement contribution rate of 5% of payroll is required by all full time employees and has been negotiated into all union employee contracts with the exception of the Public Safety Officers (PSO) union which began contributions on July 1, 2002. The current contribution rate is 3% for this group and will increase to 4% on July 1, 2004. The rates are established by the City of Huntington Woods, Michigan through collective bargaining and may change or be amended by the MERS Board of Trustees.

Annual Pension Cost

The City's annual pension cost of \$462,108 was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a rate of return of investments of 8.00%, (b) projected salary increases of 4.50%, plus a percentage based upon an age related scale to reflect merit, longevity and promotional salary increases of between 0.00% and 4.16%, and (c) the assumption that benefits will not increase after retirement.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 5 - Defined Benefit Pension Plan - Continued

Annual Pension Cost - Continued

The actuarial value of assets is determined on the basis of a method that calculates expected income at the valuation rate of return and adds a portion of the difference between the expected investment income and the actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 5-year period at a rate of 20% a year. This asset valuation method was first adopted for the December 31, 2003 valuation and is applied in the present valuation period.

Five Year Trend Information for MERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Unfunded Annual Contribution</u>
6/30/00	\$ 317,314	100%	\$ -
6/30/01	303,857	100%	-
6/30/02	309,867	100%	-
6/30/03	366,024	100%	-
6/30/04	462,108	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liabilities (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a) / c</u>
12-31-99	\$ 9,667,515	\$12,147,648	\$ 2,480,133	80%	\$ 2,192,704	113%
12-31-00	10,417,826	13,320,052	2,902,226	78%	2,216,108	131%
12-31-01	10,893,582	15,446,029	4,552,447	71%	1,916,348	238%
12-31-02	10,562,124	16,352,580	5,790,456	65%	1,859,165	311%
12-31-03	10,662,961	16,858,593	6,195,632	63%	2,008,652	308%

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 6 - Defined Contribution Plan

The City offers a defined contribution plan where the contribution rate for the City is between 6% and 8% of gross payroll. This contribution rate is established by contractual agreement and Commission resolution, and may be changed from time-to-time. Under the terms of the plan the employee may contribute to the plan on a voluntary basis. The decision to contribute on the part of the employee may effect the contribution provided by the City. Plan documentation and regulations have been filed with the MERS Board of Trustees and the International City Management Association (ICMA) which administers the plan. The City's annual employer contribution amounted to \$78,909 for the fiscal year ended June 30, 2004.

Note 7 - Changes in General Fund Reserves and Net Assets/Fund Balance

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/04</u>
Designated				
Cable television	\$ 71,794	\$ -	\$ -	\$ 71,794
Library gift	14,026	-	-	14,026
Rackham reserve	91,262	-	91,262	-
Property tax refund reserve	<u>-</u>	<u>91,262</u>	<u>-</u>	<u>91,262</u>
Total designated	177,082	91,262	91,262	177,082
Undesignated	<u>864,064</u>	<u>-</u>	<u>251,674</u>	<u>612,390</u>
Totals	<u>\$ 1,041,146</u>	<u>\$ 91,262</u>	<u>\$ 342,936</u>	<u>\$ 789,472</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 8 - Interfund Operating Transfers

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 162,470	\$ 1,001,432
Major Street Fund	-	25,000
Local Street Fund	150,000	-
Capital Planning Fund	176,000	-
Sanitation Fund	-	38,550
Recreation Fund	449,832	-
Capital Projects Fund	86,734	-
Water Fund	-	208,654
Retirement Benefit Fund	235,000	2,000
Health Insurance Fund	<u>15,600</u>	<u>-</u>
Total	<u>\$ 1,275,636</u>	<u>\$ 1,275,636</u>

Note 9 - Post-Retirement Benefits

The City of Huntington Woods, Michigan has an obligation to cover all formerly full-time retired employees for hospitalization insurance and pay their premium as long as they collect a pension. The City has historically paid this obligation on a pay-as-you-go basis. This expense amounted to \$259,348 for the fiscal year ended June 30, 2004 and covers 31 retired employees. The City has reserved \$34,454 in the Post-Retirement Benefits Fund as of June 30, 2004.

CITY OF HUNTINGTON WOODS, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 10 - Contingencies

The City of Huntington Woods, Michigan from time-to-time is party to various claims, legal actions, and other complaints arising from its regular course of business. Typically all such matters are adequately covered under the City's risk management agreements, or if not so covered are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City. The City had no outstanding claims as of June 30, 2004.

Note 11 - Federal Funding

The City of Huntington Woods, Michigan received Federal funds through the Oakland County Community Development Block Grant Program. The City of Huntington Woods, Michigan received \$8,793 in grant allocations in fiscal year 2003-2004.

CITY OF HUNTINGTON WOODS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

Note 12 - Risk Management

The City of Huntington Woods, Michigan has entered into a joint powers agreement with other Michigan units of government for its general liability, property damage insurance including auto and public officials liability, contractors equipment and workers' compensation. The City's maximum deductibles are as follows: property \$250, liability \$-0-, and property and crime \$250. Under the regulations of the state pool there is no yearly stop loss limit provided. The City does maintain a Loss Reserve Fund Balance in escrow with the Michigan Municipal Risk Management Association of \$323,600 as of June 30, 2004. The dissemination of these dollars rests with the City Commission.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss that can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2004, and thus no liability has been recorded.

CITY OF HUNTINGTON WOODS, MICHIGAN

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2004

ASSETS

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds				Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Capital Planning Fund	Debt Service Fund	Street Debt Service Fund	GWK Drain Debt Fund	Capital Projects	
Cash and cash equivalents	\$ 106,520	\$ 627	\$ 17,823	\$ 42,972	\$ 13,266	\$ 137,514	\$ 32,274	\$ 350,996
Investments	99,333	81,705	115,000	36,320	56,000	37,584	146,215	572,157
Accounts receivable	44,789	18,422	-	2,709	3,802	19,522	-	89,244
Prepaid items	3,025	-	-	-	-	-	-	3,025
Total assets	<u>\$ 253,667</u>	<u>\$ 100,754</u>	<u>\$ 132,823</u>	<u>\$ 82,001</u>	<u>\$ 73,068</u>	<u>\$ 194,620</u>	<u>\$ 178,489</u>	<u>\$ 1,015,422</u>

LIABILITIES AND FUND BALANCES

Liabilities								
Accounts payable	\$ 15,627	\$ 8,392	\$ -	\$ -	\$ -	\$ 492	\$ 53,805	\$ 78,316
Accrued payroll and withholdings	937	1,497	-	-	-	-	334	2,768
Total liabilities	16,564	9,889	-	-	-	492	54,139	81,084
Fund Balances								
Reserved for								
Special assessment debt	4,500	-	131,515	-	-	-	-	136,015
Unreserved								
Designated	-	-	-	-	-	-	124,350	124,350
Undesignated	232,603	90,865	1,308	82,001	73,068	194,128	-	673,973
Total fund balances	237,103	90,865	132,823	82,001	73,068	194,128	124,350	934,338
Total liabilities and fund balances	<u>\$ 253,667</u>	<u>\$ 100,754</u>	<u>\$ 132,823</u>	<u>\$ 82,001</u>	<u>\$ 73,068</u>	<u>\$ 194,620</u>	<u>\$ 178,489</u>	<u>\$ 1,015,422</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds				Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Capital Planning Fund	Debt Service Fund	Street Debt Service Fund	GWK Drain Debt Fund	Capital Projects	
Revenues								
Property taxes and special assessments	\$ -	\$ -	\$ -	\$ 412,143	\$ 579,522	\$ 129,002	\$ -	\$ 1,120,667
Intergovernmental	263,739	108,396	-	-	-	-	-	372,135
Interest	970	519	801	1,027	1,232	974	(6,827)	(1,304)
Other	19,144	-	3,285	-	-	18,657	-	41,086
Total revenues	283,853	108,915	4,086	413,170	580,754	148,633	(6,827)	1,532,584
Expenditures								
Current								
Maintenance	149,950	261,852	-	-	-	-	-	411,802
Traffic services	14,725	6,246	-	-	-	-	-	20,971
Snow and ice removal	34,060	20,525	-	-	-	-	-	54,585
Administrative	31,487	38,149	-	-	-	-	25,611	95,247
Capital outlay	-	-	68,549	-	-	-	278,242	346,791
Debt service								
Principal	-	-	76,877	200,000	325,000	28,658	-	630,535
Interest and other charges	-	-	-	190,725	255,547	77,064	-	523,336
Total expenditures	230,222	326,772	145,426	390,725	580,547	105,722	303,853	2,083,267
Excess of Revenues Over (Under) Expenditures	53,631	(217,857)	(141,340)	22,445	207	42,911	(310,680)	(550,683)
Other Financing Sources (Uses)								
Transfers - in	-	150,000	176,000	-	-	-	86,734	412,734
Transfers - out	(25,000)	-	-	-	-	-	-	(25,000)
Total other financing sources (uses)	(25,000)	150,000	176,000	-	-	-	86,734	387,734
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	28,631	(67,857)	34,660	22,445	207	42,911	(223,946)	(162,949)
Fund Balances - July 1, 2003	208,472	158,722	98,163	59,556	72,861	151,217	348,296	1,097,287
Fund Balances - June 30, 2004	\$ 237,103	\$ 90,865	\$ 132,823	\$ 82,001	\$ 73,068	\$ 194,128	\$ 124,350	\$ 934,338

CITY OF HUNTINGTON WOODS, MICHIGAN

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS JUNE 30, 2004

	<u>Equipment Fund</u>	<u>Retirement Benefits Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current Assets				
Cash and certificates of deposit	\$ 47,234	\$ 32,671	\$ 34,998	\$ 114,903
Investments - at fair value	<u>296,300</u>	<u>578,000</u>	<u>-</u>	<u>874,300</u>
Total current assets	343,534	610,671	34,998	989,203
Property, Plant and Equipment	1,711,212	-	-	1,711,212
Less accumulated depreciation	<u>841,476</u>	<u>-</u>	<u>-</u>	<u>841,476</u>
Undepreciated cost	<u>869,736</u>	<u>-</u>	<u>-</u>	<u>869,736</u>
Total assets	<u><u>\$ 1,213,270</u></u>	<u><u>\$ 610,671</u></u>	<u><u>\$ 34,998</u></u>	<u><u>\$ 1,858,939</u></u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 20,868	\$ 6,772	\$ -	\$ 27,640
Due to employees	-	569,337	-	569,337
Accrued liabilities	<u>468</u>	<u>108</u>	<u>-</u>	<u>576</u>
Total current liabilities	21,336	576,217	-	597,553
Net Assets				
Invested in capital assets, net of related debt	869,736	-	-	869,736
Net Assets				
Appropriated	180,000	-	-	180,000
Unappropriated	<u>142,198</u>	<u>34,454</u>	<u>34,998</u>	<u>211,650</u>
Total net assets	<u>1,191,934</u>	<u>34,454</u>	<u>34,998</u>	<u>1,261,386</u>
Total liabilities and net assets	<u><u>\$ 1,213,270</u></u>	<u><u>\$ 610,671</u></u>	<u><u>\$ 34,998</u></u>	<u><u>\$ 1,858,939</u></u>

CITY OF HUNTINGTON WOODS, MICHIGAN

COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Equipment Fund	Retirement Benefits Fund	Health Insurance Fund	Total
Operating Revenues				
Charges for services	\$ 212,858	\$ -	\$ -	\$ 212,858
Other	1,079	-	-	1,079
Total operating revenues	213,937	-	-	213,937
Operating Expenses (Income)				
Depreciation	85,215	-	-	85,215
Other	171,699	259,348	(20,009)	411,038
Total operating expenses (income)	256,914	259,348	(20,009)	496,253
Operating income (loss)	(42,977)	(259,348)	20,009	(282,316)
Nonoperating Revenues				
Interest on investments	1,715	3,613	12	5,340
Transfers - in	-	233,000	15,600	248,600
Total nonoperating revenues, net	1,715	236,613	15,612	253,940
Net income (loss)	(41,262)	(22,735)	35,621	(28,376)
Net Assets - July 1, 2003	1,233,196	57,189	(623)	1,289,762
Net Assets - June 30, 2004	<u>\$ 1,191,934</u>	<u>\$ 34,454</u>	<u>\$ 34,998</u>	<u>\$ 1,261,386</u>

CITY OF HUNTINGTON WOODS, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Equipment Fund	Retirement Benefits Fund	Health Insurance Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 213,937	\$ -	\$ -	\$ 213,937
Payments to suppliers for goods and services	(102,800)	-	(40)	(102,840)
Payments to employees for services	(41,913)	(268,175)	-	(310,088)
Other receipts	-	-	20,009	20,009
	<u>-</u>	<u>-</u>	<u>20,009</u>	<u>20,009</u>
Net cash provided from (used in) operating activities	69,224	(268,175)	19,969	(178,982)
Cash Flows From Noncapital Financing Activities:				
Interfund transfers	-	233,000	15,600	248,600
Cash Flows From Capital and Related Financing Activities:				
Acquisition of property, plant and equipment	(13,908)	-	-	(13,908)
Proceeds from sale of fixed assets	12,584	-	-	12,584
Bank overdraft	(122,381)	-	(583)	(122,964)
	<u>(122,381)</u>	<u>-</u>	<u>(583)</u>	<u>(122,964)</u>
Net cash used in capital and related financing activities	(123,705)	-	(583)	(124,288)
Cash Flows From Investing Activities:				
Interest received	1,715	3,613	12	5,340
	<u>1,715</u>	<u>3,613</u>	<u>12</u>	<u>5,340</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,766)	(31,562)	34,998	(49,330)
Cash and Cash Equivalents - July 1, 2003	396,300	642,233	-	1,038,533
	<u>396,300</u>	<u>642,233</u>	<u>-</u>	<u>1,038,533</u>
Cash and Cash Equivalents - June 30, 2004	<u>\$ 343,534</u>	<u>\$ 610,671</u>	<u>\$ 34,998</u>	<u>\$ 989,203</u>
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:				
Operating income (loss)	\$ (42,977)	\$ (259,348)	\$ 20,009	\$ (282,316)
Depreciation	85,215	-	-	85,215
Loss on sale of fixed assets	17,310	-	-	17,310
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Increase (decrease) in accounts payable	10,406	6,772	(40)	17,138
Increase in other liabilities	(730)	(15,599)	-	(16,329)
	<u>9,676</u>	<u>(8,827)</u>	<u>(40)</u>	<u>809</u>
Total adjustments	9,676	(8,827)	(40)	809
Net cash provided from (used in) operating activities	<u>\$ 69,224</u>	<u>\$ (268,175)</u>	<u>\$ 19,969</u>	<u>\$ (178,982)</u>